

Village of Harrietta

Wexford County, Michigan

Audited Financial Statements

December 31, 2004

Jay Thiebaut, P.C.
Certified Public Accountant
Cadillac, Michigan

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF HARRIETTA	County WEXFORD
Audit Date 12/31/04	Opinion Date 8/26/05	Date Accountant Report Submitted to State: 9/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) JAY THIEBAUT PC CPA			
Street Address 222 HOWARD ST., PO BOX 807		City CADILLAC	State MI
Accountant Signature 		ZIP 49601	Date 9/19/05

Village of Harrietta
Wexford County, Michigan
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Village of Harrietta
Wexford County, Michigan
Officers and Council Members
December 31, 2004

President

Clerk

Treasurer

Council

Council

Council

Council

Council

Council

Street Commissioner

Lorne Haase

Rob Inman

Carol Haase

Julia Macek

Laura Shetenhelm

Keith Wing

Daniel Boehle

Nella Kerzich

George Cain

Robert Verdi

Jay Thiebaut, P.C.

Certified Public Accountant
P.O. Box 807
Cadillac, Michigan 49601
Telephone 231-775-0174

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Harrietta
Wexford County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Village of Harrietta as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Harrietta, as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial – and Management's Discussion and Analysis – For State and Local Governments*, and a Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of January 1, 2004.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of Harrietta
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The Village has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in cursive script, appearing to read "Jay Thiebaut".

Jay Thiebaut P.C.
Certified Public Accountant
August 26, 2005

Basic Financial Statements

Village of Harrietta
Wexford County, Michigan
Statement of Net Assets
December 31, 2004

	<u>Govermental Activities</u>
Assets	
Current assets	
Cash	\$ 109,296
Capital assets, net	<u>90,480</u>
Total assets	<u>\$ 199,776</u>
Liabilities	
Current liabilities	
Accounts payable	<u>\$ 1,302</u>
Net assets	
Investment in capital assets	90,480
Unrestricted	<u>107,994</u>
Total net assets	<u>198,474</u>
Total liabilities and net assets	<u>\$ 199,776</u>

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Statement of Activities
Year Ended December 31, 2004

<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities	
General government	
Public safety	\$ 30,720
Public works	3,100
Total governmental activities	<u>31,245</u>
	<u>65,065</u>
General revenues	
Taxes	
State sources	11,691
Interest	43,185
Other	678
Total general revenues	<u>10,249</u>
	<u>65,803</u>
Changes in net assets	(738)
Net assets-beginning of year	<u>199,212</u>
Net assets-end of year	<u>\$ 198,474</u>

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Balance Sheet
Governmental Funds
December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental</u>
Assets				
Cash	\$ 47,256	\$ 37,693	\$ 24,348	\$ 109,297
Due from other funds	<u>347</u>	<u>1,978</u>	<u>-</u>	<u>2,325</u>
Total assets	<u>\$ 47,603</u>	<u>\$ 39,671</u>	<u>\$ 24,348</u>	<u>\$ 111,622</u>
Liabilities				
Accounts payable	\$ 1,302	\$ -	\$ -	\$ 1,302
Due to other funds	<u>-</u>	<u>174</u>	<u>2,152</u>	<u>2,326</u>
Total liabilities	<u>1,302</u>	<u>174</u>	<u>2,152</u>	<u>3,628</u>
Fund balances				
Unreserved and undesignated	<u>46,301</u>	<u>39,497</u>	<u>22,196</u>	<u>107,994</u>
Total liabilities and fund equity	<u>\$ 47,603</u>	<u>\$ 39,671</u>	<u>\$ 24,348</u>	<u>\$ 111,622</u>

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to Net Assets of Governmental Activities
December 31, 2004

Total fund balances for governmental funds	\$ 107,994
Total net assets for government activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>90,480</u>
Net assets of governmental funds	<u>\$ 198,474</u>

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2004

	General	Major Street	Local Street	Totals Governmental Funds
Revenues				
Taxes	\$ 11,691	\$ -	\$ -	\$ 11,691
State sources	13,902	20,801	8,481	43,184
Interest	318	298	62	678
Other	10,249	-	-	10,249
Total revenues	36,160	21,099	8,543	65,802
Expenditures				
General government				
Council	13,272	-	-	13,272
President	1,160	-	-	1,160
Clerk	2,185	-	-	2,185
Treasurer	2,273	-	-	2,273
Elections	961	-	-	961
Buildings and grounds	12,885	-	-	12,885
Public safety	3,100	-	-	3,100
Public works	3,407	13,987	10,883	28,277
Total expenditures	39,243	13,987	10,883	64,113
Excess of revenues over (under) expenditures	(3,083)	7,112	(2,340)	1,689
Other financing sources (uses)				
Operating transfers in	-	-	5,200	5,200
Operating transfers out	-	(5,200)	-	(5,200)
Total other financing sources (uses)	-	(5,200)	5,200	-
Net change in fund balance	(3,083)	1,912	2,860	1,689
Fund balances-beginning of year	49,384	37,585	19,336	106,305
Fund balances-end of year	\$ 46,301	\$ 39,497	\$ 22,196	\$ 107,994

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2004

Net changes in fund balances-total governmental funds **\$ 1,689**

Total change in net assets reported for government activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,569
Depreciation expense	<u>(6,520)</u>

Changes in net assets of governmental activities **\$ (738)**

See notes to financial statements.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Harrietta conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by the Village:

Reporting Entity

Village of Harrietta ("the Village") is a municipal entity governed by an elected Council. The Village, for financial purposes, includes all of the funds relevant to the operations of the Village of Harrietta. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from the Village of Harrietta.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable) even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as well expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for revenue and expenditures for the roads classified as major streets by the Michigan Department of Transportation.

The Local Street Fund accounts for revenue and expenditures for the roads classified as local streets by the Michigan Department of Transportation.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted assets first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are collected from July 1 to September 15. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The county pays the Village for uncollected taxes from the revolving tax fund. Personal property taxes are the responsibility of the Village to collect. The current tax levy is 5 mills on real and personal property.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost, if purchased or constructed. The reported value does not include normal maintenance and repairs which do not increase the capacity of or extend the useful life of the asset. In the case of donated assets, the government values the assets at estimated fair value of the assets as of the date of the donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Furniture & Equipment	5 to 10 years
Roads & streets	10 to 40 years

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance (when applicable) for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent management plans that are subject to change.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

The Village follows these budgeting procedures that are in accordance with Michigan Statutes. Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

1. Budgets are adopted for the General Fund and all Special Revenue Funds.
2. Budget appropriations are adopted before the beginning of each fiscal year.
3. Both budgeted and actual financial results cannot incur a deficit (including an available un-reserved surplus).
4. Amendments to the budget are made prior to over expenditures and before the fiscal year end.
5. Budgetary control is exercised at the activity level. The clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity require the approval of the Village council.

The Village does not use encumbrances. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office located in Michigan. Local units are allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. Also, United States government or federal agency obligations; reverse repurchase agreements, bankers acceptance of United States Banks, commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade, and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

The Village Council has authorized cash and cash equivalents to be in federally insured depository institutions. These cash accounts can be checking, savings, money markets, or certificates of deposit with original maturities of three months or less. Additionally, the Village Council specifically authorizes each depository institution.

At December 31, 2004, all cash and cash equivalents were on deposit with federally insured depository institutions. The bank balance was \$109,296 as of December 31, 2004, all of which was covered by federal depository insurance.

NOTE 4 – CAPITAL ASSETS

Capital assets activity of the primary government for the current year is as follows:

	Balance 01-01-04	Additions	Balance 12-31-04
Land	\$ 201	\$ 5,224	\$ 5,425
Buildings and improvements	90,206	-	90,206
Furniture and equipment	9,939	345	10,284
Roads & streets	59,341	-	59,341
Total depreciable assets	159,687	5,569	165,256
Less accumulated depreciation	(68,256)	(6,520)	(74,776)
Capital assets, net	<u>\$ 91,431</u>	<u>\$ (951)</u>	<u>\$ 90,480</u>

Depreciation Expense - Governmental Activities:

General Government	\$ 3,553
Public Works	2,967
Total depreciation expense	<u>\$ 6,520</u>

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Statutes provides that a Village shall not incur expenditures in excess of the amount appropriated.

The unfavorable variances as shown on the Budgetary Comparison Schedules for the General Fund, Major Street Fund and Local Street Fund are not considered material violations as described in Michigan Statute due to the conditions and events that gave rise to these variances and the adequacy of the budgetary system.

Village of Harrietta
Wexford County, Michigan
Notes to Financial Statements
December 31, 2004

NOTE 5 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2004, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Balances at December 31, 2004, were:

	Due From Other Funds	Due to Other Funds
General fund		
Major street fund	\$ 174	\$ -
Local street fund	174	-
Major street fund		
General fund	-	174
Local street fund	1,978	-
Local street fund		
General fund	-	174
Major street fund	-	1,978
Totals	<u>\$ 2,326</u>	<u>\$ 2,326</u>

NOTE 7- INTERFUND TRANSFERS

A summary of operating transfers in and out of individual funds is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Local Street Fund	\$ 5,200	\$ -
Major Street Fund	-	5,200
Total government	<u>\$ 5,200</u>	<u>\$ 5,200</u>

Transfers are used by the Village to move a portion of the Major Street Fund's state revenue sharing to the Local Street Fund in accordance with certain provisions of Public Act 51.

Required Supplementary Information

Village of Harrietta
Wexford County, Michigan
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,300	\$ 9,300	\$ 11,691	\$ 2,391
State sources	15,000	15,000	13,902	(1,098)
Interest	600	600	318	(282)
Other	6,425	6,425	10,249	3,824
Total revenues	31,325	31,325	36,160	4,835
Expenditures				
General government				
Council	14,500	14,500	13,272	1,228
President	1,260	1,260	1,160	100
Clerk	2,420	2,420	2,185	235
Treasurer	2,420	2,420	2,273	147
Elections	1,000	1,000	961	39
Building and grounds	16,950	16,950	12,885	4,065
Public safety	3,000	3,000	3,100	(100)
Public works	3,600	3,600	3,407	193
Total expenditures	45,150	45,150	39,243	5,907
Excess of revenues over (under) expenditures	\$ (13,825)	\$ (13,825)	(3,083)	\$ 10,742
Fund balances-beginning of year			49,384	
Fund balances-end of year			\$ 46,301	

Village of Harrietta
Wexford County, Michigan
Budgetary Comparison Schedule
Major Street Fund
Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 19,000	\$ 19,000	\$ 20,801	\$ 1,801
Interest	575	575	298	(277)
Total revenues	<u>19,575</u>	<u>19,575</u>	<u>21,099</u>	<u>1,524</u>
Expenditures				
Public works	13,795	13,795	13,987	192
Excess of revenues over (under) expenditures	5,780	5,780	7,112	1,332
Other financing sources (uses)				
Operating transfers out	6,700	6,700	5,200	1,500
Total other financing sources (uses)	<u>6,700</u>	<u>6,700</u>	<u>5,200</u>	<u>1,500</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (920)</u>	<u>\$ (920)</u>	<u>1,912</u>	<u>\$ 2,832</u>
Fund balances-beginning of year			<u>37,585</u>	
Fund balances-end of year			<u>\$ 39,497</u>	

Village of Harrietta
Wexford County, Michigan
Budgetary Comparison Schedule
Local Street Fund
Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State sources	\$ 7,500	\$ 7,500	\$ 8,481	\$ 981
Interest	100	100	62	(38)
Total revenues	<u>7,600</u>	<u>7,600</u>	<u>8,543</u>	<u>943</u>
Expenditures				
Public works	<u>17,025</u>	<u>17,025</u>	<u>10,883</u>	<u>6,142</u>
Excess of revenues over (under) expenditures	(9,425)	(9,425)	(2,340)	7,085
Other financing sources (uses)				
Operating transfers in	<u>6,700</u>	<u>6,700</u>	<u>5,200</u>	<u>(1,500)</u>
Excess of revenues and other financing sources over (under) expenditures and other uses	<u>\$ (2,725)</u>	<u>\$ (2,725)</u>	<u>2,860</u>	<u>\$ 5,585</u>
Fund balances-beginning of year			<u>19,336</u>	
Fund balances-end of year			<u>\$ 22,196</u>	

JAY THIEBAUT, P.C.

CERTIFIED PUBLIC ACCOUNTANT

222 Howard Street

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Fax 231-775-6451

To the Members of the Village Council
Village of Harrietta
Wexford County, Michigan

In planning and performing my audit of the statements of the Village of Harrietta for the year ended December 31, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the Village of Harrietta's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, no material weaknesses were noted.

This report is intended solely for the information and use of the Village Council, management and others within the administration, and Department of Treasury, Local Audit Division of the State of Michigan and should not be used by anyone other than these specified parties.



Jay Thiebaut, P.C.

Certified Public Accountant

August 26, 2005